

BELLSOUTH

EX PARTE OR LATE FILED

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January 31, 1997

Mr. William F. Caton
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

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JAN 31 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

RE: CC Docket 96-152 Implementation of the Telecommunications Act of
1996 Telemessaging, Electronic Publishing and Alarm Monitoring Services
Ex Parte

Dear Mr. Caton:

This is to inform you that on January 31, 1997, Daniel Thompson, Jr. and Ben Almond, both of BellSouth Corporation met in separate meetings with Rudolfo M. Baca of Commissioner Quello's office; Daniel Gonzales of Commissioner Chong's office and James L. Casserly of Commissioner Ness's office concerning the above referenced proceeding. The attached document was used for discussion purposes.

Please associate this notification and the accompanying document with the reference docket proceeding.

If there are any questions concerning this matter, please contact the undersigned.

Sincerely,



Ben G. Almond
Executive Director-Federal Regulatory

Attachment

cc: Rudolfo M. Baca
Daniel Gonzales
James L. Casserly

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BELLSOUTH CORPORATION

**JANUARY 31, 1997
DOCKET 96-152 EX PARTE
SECTION 274 - ELECTRONIC PUBLISHING**

ADVERTISING INDUSTRY IS HIGHLY COMPETITIVE

- \$175 billion Industry (TV, Radio, Yellow Pages, Direct Mail, Magazines, etc.)
- Yellow Pages business - 6% of Industry (\$10.5 billion)
- BellSouth Advertising & Publishing Corporation (**BAPCO**) competes with more than 90 publishers of printed directory products

LOCAL EXCHANGE TELEPHONY COMPETITION

- **BAPCO** is modifying its products and business processes to support telephony competition
- It is proactively seeking business relationships with all local exchange telephony providers in producing a comprehensive directory serving all carriers' customers
- Have "LEC - Friendly" contracts with:

AT&T

MFS

Others

MCI

MEDIA ONE

TIME WARNER

BELLSOUTH

ELECTRONIC DIRECTORY PUBLISHING DEVELOPMENT

- Advertisers incorporating new information technology: **INTERNET**, CD-ROM, AUDIOTEXT, etc.
 - To improve linkage between buyers and sellers
 - Enable business to target specific messages to different groups of consumers
 - Consumers have improved information access, depth and customization
- Competition for **electronic directory services over the INTERNET is already intense**
 - No/little barriers to entry; “overnight” start-up
 - Over 150 top tier competitors (Bigbook, Yahoo!, Worldpages, etc.)
 - Microsoft, AT&T, America On-Line have/will launch products

The NPRM sought comments on distinctions between Section 274(c)(1)(A) and Section 274(c)(1)(B).

- Section 274(c)(1)(B) recognizes that a BOC affiliate can offer multiple services consisting of electronic publishing services as well as services unrelated to electronic publishing.
 - Section 274(c)(1)(B) would restrict joint marketing activities of electronic publishing services between the BOC and the affiliate.
 - However, the affiliate can provide/offer its non-electronic publishing services with the BOC, excluding interLATA or activities specifically restricted in the statute.
- By contrast Section 274(c)(1)(A) contemplates that a separated affiliate, providing only electronic publishing services, cannot conduct joint marketing activities with the BOC.
- The bottom line is that the electronic publishing joint marketing restrictions (promotion, marketing, sales and advertising) under Section 274 apply only to the services which are considered to be electronic publishing, and not to other services provided by the same entity.

BELLSOUTH ADVERTISING & PUBLISHING CORPORATION

- **BAPCO** intends to produce and market electronic publishing services as well as all printed directory products as an electronic publishing separated affiliate. **BAPCO** would become a Section 274 (c) (1) (B) company per the statute.
- Section 274 rules permit **BAPCO** to continue to provide its printed directory products with BellSouth Telecommunications, Inc. (**BST**) but it will not permit **BAPCO** to joint market its electronic publishing services with **BST**.

"OPERATE INDEPENDENTLY" - SECTION 274(b)

- The Commission should deny requests calling for additional restrictions over and above the specific requirements enumerated by Congress in Section 274(b).
- Section 274(b) requirements represent a balanced approach of:
 - 1) Insuring sufficient disclosure and structural separation between affiliates and the electronic publishing entity.
 - 2) Providing the measured degree of flexibility and freedom to compete in the marketplace.
- The Commission should reject AT&T's suggestion that the debt of a separated affiliate or joint venture cannot be guaranteed by the BOC's parent holding company.
 - No section in the act require this restriction
 - Has no adverse affect on ratepayers
 - Entails no subsidy of electronic publishing activity by the regulated BOC
 - The Commission stated in its recent Order for Section 271/272 safeguards (FCC 96-489, Docket 96-149, Para. 190) that the BOC's parent company could secure debt... for the benefit of the Section 272 affiliate provided that the BOC assets are not at risk.

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- “INDEPENDENTLY” relates to day to day operations, and does not prohibit umbrella functions provided by the holding company including:

FINANCE AND ACCOUNTING
LEGAL SERVICES
MIS

- Even under CI-II and the MFJ, certain common administrative services were permitted.
 - The Commission also stated in its Section 271/272 safeguards Order (Para. 182) that the Parent Company is permitted to provide administrative services to the Section 272 affiliate to achieve economy of scope and scale, including compensation schemes which tie the employee's performance to the results of the Regional Holding Company and all of its enterprises.
- The Commission should also reject Time Warner's position that the separated affiliate be prohibited from using trademarks and trade names of the holding company.
 - This is permitted under Section 274(b)(6), notwithstanding BOC's use of the same intellectual property of the parent company.

January 31, 1997
Docket 96-152 Ex Parte

